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**UMZIMVUBU LOCAL
MUNICIPALITY**

**ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2009**

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Mayoral committee

Mayor

Speaker

Councillors

Mabengu PB
Tshekela ST
Jeke MM
Gwebani ZA
Mnukwa SK
Ndevu Z
Sineke MN
Thingathinga PK
Ngalonkulu EN
Mthethandaba C
Cezula NP
Dandala HN
Diko BZ
Duba N
Garane AN
Gcadinja NN
Gqoli SP
Jakalase VA
Jona GX
Mapekula MV
Mataka M
Mbele M
Mbedu P
Mgoqozi DL
Mjokane AN
Mpanda N
Mzaza MN
Ngqaimbana LM
Nqatsha LL
Phangwa SK
Ntsengwane M
Senzela AN
Lungu X
Magaya IK
Mkanda GU
Makaula VM
Msindwana TS
Siksi LL
Sishiqa NV
Sonqishe Z
Zwane BB
Fikeni NE
Myingwa S
Mdzinwa M
Mpepanduku MM
Sishuba EL
Socikwa M
Mnqonywuae NP

Jmzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	M. Hloba
Registered office	Erf 813 Main Street Mount Frere 5090 4735
Bankers	First National Bank Standard Bank of South Africa Limited
Auditors	Auditor General Chartered Accountants (S.A.)
Municipal Manager	G.P.T Nota

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	M. Hlobo
Registered office	Erf 813 Main Street Mount Frere 5090 4735
Bankers	First National Bank Standard Bank of South Africa Limited
Auditors	Auditor General Chartered Accountants (S.A.)
Municipal Manager	G.P.T Nota

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The reports and statements set out below comprise the annual financial statements presented to the stakeholders and council of Umzimvubu Local Municipality:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GRAP	Generally Recognised Accounting Practice

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer have reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 23, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:


Accounting Officer

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

Figures in Rand

Note(s)

2009

2008

Assets

Current Assets

Trade and other receivables	<u>31.20</u>	2	2,923,132	1,692,320
Consumer debtors	<u>31.20</u>	3	1,045,886	-
Cash and cash equivalents	<u>32.20</u>	4	1,845,527	6,869
			5,814,545	1,699,189

Non-Current Assets

Property, plant and equipment	<u>20.20</u>	5	140,518,079	(1)
Investments	<u>25.26-28</u>	6	63,883,062	82,349,216
			204,401,141	82,349,215

Total Assets

210,215,686 **84,048,404**

Liabilities

Current Liabilities

Payables	<u>51.20</u>	7	969,863	87,675
Provisions	<u>52.20</u>	8	1,072,544	1,831,495
Bank overdraft	<u>32.20</u>	4	-	10,451,099
			2,042,407	12,370,269

Non-Current Liabilities

Project funds	<u>41.27-28</u>	9	-	1,587,862
Unspent conditional grants and reserves	<u>43.28</u>	20	63,883,062	-
Statutory funds	<u>43.20</u>	10	-	1,821,781
Grants	<u>43.27</u>	22	-	78,939,573
			63,883,062	82,349,216

Total Liabilities

65,925,469 **94,719,485**

Net Assets

144,290,217 **(10,671,081)**

Net Assets

Reserves

Capital replacement reserve	<u>40.22</u>	92,061,294	-
Accumulated surplus	<u>40.24</u>	52,228,923	(10,671,081)

Total Net Assets

144,290,217 **(10,671,081)**

Umzimvubu Local Municipality
Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Performance
Figures in Rand

Grants and subsidies
Other income
Operating expenses
Operating surplus
Investment revenue
Surplus for the year

Note(s)	2009	2008
11	92,999,019	79,965,919
	9,143,938	3,003,861
	(66,423,905)	(82,213,453)
	35,719,052	756,327
12	99,819	192,883
	35,818,871	949,210

Statement of Changes in Net Assets

Figures in Rand

	Capital replacement reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	-	62,562,725	62,562,725
Appropriations	-	(74,183,016)	(74,183,016)
Balance at 01 July 2007	-	(11,620,291)	(11,620,291)
Changes in net assets			
Surplus for the year	-	949,210	949,210
Total changes	-	949,210	949,210
Balance at 01 July 2008	-	(10,671,081)	(10,671,081)
Changes in net assets			
Surplus for the year	-	35,818,871	35,818,871
Appropriations	-	11,043,442	11,043,442
Transfer to capital reserve fund	265,785,712	-	265,785,712
Accumulated depreciation for prior periods	(159,588,468)	-	(159,588,468)
Depreciation for the 12 month period end of June 2009	(14,135,950)	-	(14,135,950)
Transfer of funds to equity	-	4,754,888	4,754,888
Transfer of funds to equity	-	1,742,733	1,742,733
Transfer of funds to equity	-	73,423,132	73,423,132
Transfer to the unspent grant account	-	(63,883,062)	(63,883,062)
Total changes	92,061,294	62,900,004	154,961,298
Balance at 30 June 2009	92,061,294	52,228,923	144,290,217

Note(s)

Cash Flow Statement

Figures in Rand

	Note(s)	2009	2008
Cash flows from operating activities			
Cash generated from (used in) operations	19	44,364,691	(56,984,291)
Interest income		99,819	192,883
Movement in provisions		-	(157,487)
Decrease in long term debtors		-	3,003,899
Grant utilised in trust funds		-	71,332,382
Increase in funds and reserves		-	735,172
Net cash from operating activities		44,464,510	18,122,558
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(50,034,142)	(76,420,049)
Movement in investments		18,466,154	(1,820,315)
Net cash from investing activities		(31,567,988)	(78,240,364)
Cash flows from financing activities			
Movement in project funds		(1,587,862)	136,399
Movement in grants		(62,901,965)	51,059,991
Movement in unspent conditional grants and reserves		63,883,062	-
Net cash from financing activities		(606,765)	51,196,390
Total cash movement for the year		12,289,757	(8,921,416)
Cash at the beginning of the year		(10,444,230)	(1,522,814)
Net increase (decrease) in cash and cash equivalents	4	1,845,527	(10,444,230)

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recognised in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting of Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities & Contingent Assets
GRAP 23	Revenue from Non Exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 100	Non - Current Assets Held for Sale & Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous ion , except for the changes set out in note First-time adoption of Generally Recognised Accounting Practice.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.1 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Electricity	30 years
• Roads	15 years
• Water	20 years
• Gas	20 years
• Sewerage	20 years
• Pedestrian malls	20 years
• Airports	20 years
• Security Measures	5 years
• Access Control Systems	5 years
Community Assets	
• Buildings and other Assets	30 years
• Recreation facilities	20 years
Buildings	
• Abattoirs	30 years
Plant and machinery	
• Graders	10 - 15 years
• Tractors	10 - 15 years
• Firearms	5 years
• Filling Equipment	15 years
Furniture and fixtures	
• Chairs	7 - 10 years
• Tables and desks	7 - 10 years
• Cabinets and cupboards	7 - 10 years
Motor vehicles	
• Ambulances	5 - 10 years
• Fire Engines	20 years
• Buses	15 years
• Trucks and light delivery vehicles	5 - 7 years
• Motor cycles	3 years
Office equipment	
• Computer Hardware	5 years
• Computer Software	3 - 5 years
• Office Machines	3 - 5 years
• Air Conditioners	5 - 7 years
Bins and containers	
• Household refuse bins	5 years
• Bulk refuse containers	10 years
Emergency Equipment	
• Fire Hoses	5 years
• Other fire-fighting equipment	15 years
Heritage Assets	
• Works of Art	0 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Investments

1.3 Financial instruments

Initial recognition

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other receivables are classified as loans and receivables.

Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Financial assets at fair value through profit or loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in surplus or deficit for the period.

Accounting Policies

1.3 Financial instruments (continued)

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.6 Provisions and Contingent Liabilities

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the

Accounting Policies

1.6 Provisions and Contingent Liabilities (continued)

entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.7 Types of revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Accounting Policies

1.7 Types of revenue (continued)

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.9 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.10 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

All expenditure relating to unauthorised, irregular or fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.11 Presentation of Currency

These annual financial statements are presented in South african Rand and are rounded to the nearest Rand.

1.12 Reserves

Capitalisation reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.13 Post Balance Sheet Events

Recognised amounts in the financials are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

2009

2008

2. Trade and other receivables

Sundry debtors	✓ 5,838	38,555
Value added tax	✓ 2,150,588	887,145
Alfred Nzo District Municipality	✓ 766,620	766,620
	2,923,046	1,692,320

3. Consumer debtors

Gross balances	✓ 4,055,538	-
Rates		

Less: Provision for bad debts	✓ (3,009,652)	-
Rates		

Net balance	1,045,886	-
Rates		

Rates		
Current (0 -30 days)	405,554	-
31 - 60 days	110,950	-
61 - 90 days	325,357	-
> 90 days	2,846,974	-
	3,688,835	-

Reconciliation of bad debt provision

Contributions to provision	3,009,652	-
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	✓ 7,298	6,869
Bank balances	✓ 1,838,229	-
Bank overdraft	-	(10,451,099)
	1,845,527	(10,444,230)

Current assets	1,845,527	6,869
Current liabilities	-	(10,451,099)
	1,845,527	(10,444,230)

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

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5. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Bakery	580,005	-	580,005	580,005	-	580,005
Bridges	2,128,638	(1,350,810)	777,828	1,655,417	-	1,655,417
Cemetery	81,464	-	81,464	81,464	-	81,464
Community Halls	13,428,426	(8,089,451)	5,338,975	13,174,833	-	13,174,833
Containers	194,882	-	194,882	188,434	-	188,434
Fencing and Toilets	4,745,258	(1,201,822)	3,543,436	3,256,182	-	3,256,182
Furniture and fixtures	805,038	(5,934,802)	(5,129,764)	508,431	-	508,431
IT equipment	1,972,030	(25,763)	1,946,267	1,578,981	-	1,578,981
Infrastructure	207,701,352	(145,824,166)	61,877,186	180,160,457	-	180,160,457
Irrigation Scheme	1,581,713	(168,236)	1,413,477	1,579,425	-	1,579,425
Land and building	32,857,482	(11,965,188)	20,892,294	24,095,637	-	24,095,637
Mayoral Chain	299,954	-	299,954	17,719	-	17,719
Milling	252,330	-	252,330	252,330	-	252,330
Motor vehicles	3,812,438	(314,490)	3,497,948	3,642,438	-	3,642,438
Plant and machinery	10,083,018	(120,585)	9,962,433	371,341	-	371,341
Poultry	539,757	-	539,757	539,757	-	539,757
Pre-Schools	25,688,299	-	25,688,299	25,688,297	-	25,688,297
Recreational Park	1,272,285	(86,221)	1,186,064	1,174,173	-	1,174,173
Small Business Unit	1,108,382	-	1,108,382	1,108,382	-	1,108,382
Sports Field	4,326,907	-	4,326,907	3,772,267	-	3,772,267
Testing Centre	2,353,746	-	2,353,746	2,353,746	-	2,353,746
Tools	6,450	(220,241)	(213,791)	5,995	-	5,995
Loans redeemed and other capital receipts	-	-	-	(265,785,712)	-	(265,785,712)
Total	315,819,854	(175,301,775)	140,518,079	(1)	-	(1)

Umzimvubu Local Municipality

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

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2008

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Bakery	580,005	-	-	580,005
Bridges	498,911	4,452,491	(194,304)	4,757,098
Cemetery	81,464	-	-	81,464
Community Halls	6,276,974	-	(1,191,592)	5,085,382
Containers	188,434	-	-	188,434
Fencing and Toilets	2,160,303	-	(105,942)	2,054,361
Furniture and fixtures	(3,596,554)	848,203	(1,829,816)	(4,578,167)
IT equipment	1,578,981	-	(25,763)	1,553,218
Infrastructure	45,294,605	24,427,748	(10,958,314)	58,764,039
Irrigation Scheme	1,455,058	-	(43,869)	1,411,189
Land and Building	13,030,180	-	(899,731)	12,130,449
Mayoral Chain	17,719	-	-	17,719
Milling	252,330	-	-	252,330
Motor vehicles	3,642,438	-	(314,490)	3,327,948
Plant and machinery	371,341	654,598	(120,585)	905,354
Poultry	539,757	-	-	539,757
Pre-Schools	25,688,299	-	-	25,688,299
Recreational Park	1,111,173	-	(23,625)	1,087,548
Small Business Unit	1,108,382	-	-	1,108,382
Sports Field	3,772,267	-	-	3,772,267
Testing Centre	2,353,746	-	-	2,353,746
Tools	(208,566)	28,400	(5,680)	(185,846)
Work In Progress	-	19,622,702	-	19,622,702
	106,197,247	50,034,142	(15,713,711)	140,517,678

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Impairment loss	Total
Bakery	580,005	-	-	580,005
Bridges	1,442,553	212,864	-	1,655,417
Cemetery	82,078	-	(614)	81,464
Community Halls	1,235,643	2,020,539	-	3,256,182
Containers	188,434	2,614	-	188,434
Furniture and fixtures	508,191	240	-	508,431
IT equipment	1,463,922	115,059	-	1,578,981
Infrastructure	109,865,912	70,294,545	-	180,160,457
Irrigation scheme	1,579,425	-	-	1,579,425
Land	23,940,867	154,770	-	24,095,637
Mayoral Chain	17,719	-	-	17,719
Milling	252,330	-	-	252,330
Motor vehicles	3,642,438	-	-	3,642,438
Plant and machinery	371,341	-	-	371,341
Poultry	539,757	-	-	539,757
Pre-Schools	2,353,746	-	-	2,353,746
Recreational Park	23,646,329	2,041,968	-	25,688,297
Small Business Unit	1,174,173	-	-	1,174,173
Sport Field	1,108,382	-	-	1,108,382
Testing Centre	3,436,760	335,507	-	3,772,267
Tools	11,932,890	1,241,944	-	13,174,834
Wastewater network	5,995	-	-	5,995
	(265,785,712)	-	-	(265,785,712)
	(76,419,436)	76,420,050	(614)	-

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

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5. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Investments

Unlisted

Asset register	-	102,598
Xesibe Tourism	-	(86)
Drought Relief	352,837	321,779
Electricity	217,931	201,719
Free Basic Services	24,578,160	20,779,056
General Evaluation Grant	-	122,124
MMP	-	29,700
Municipal Infrastructure Grant	3,080,485	555,375
Municipal Support Programme	1,742,733	1,587,945
Operation Investment	25,488,751	52,273,222
Planning and Survey	751,278	1,902,396
Revolving Fund	4,754,888	1,821,781
Testing Ground	2,916,167	2,651,521
MtAyliff Tyoksville	-	(83)
	63,883,061	82,349,130

Management has invested all the project funds with one of the four major financial institutions in line with its investment policy.

Management's valuation of unlisted investments	63,883,062	82,349,216
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7. Payables

Trade payables	969,863	87,675
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8. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Reversed during the year	Total
Provision for staff leave	1,831,495	(758,951)	1,072,544

Reconciliation of provisions - 2008

	Opening Balance	Total
Provision for staff leave	1,831,495	1,831,495

9. Project funds

Municipal Support Programme	-	1,587,945
Mt Ayliff PHP	-	(83)
	-	1,587,862

10. Statutory funds

Notes to the Annual Financial Statements

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10. Statutory funds (continued)

Revolving fund

-

1,821,781

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

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2008

11. Revenue

Provincial Government
Equitable share

49,014,811

28,988,379

43,984,208

50,977,540

92,999,019

79,965,919

12. Investment revenue

Interest income

99,819

192,883

13. Assessment rates

Valued properties

Rate tariff

4,775,265

4,475,678

14. Government grants and subsidies

LGSETA

30,670

368,316

Municipal Infrastructure Grant

17,468,001

28,120,063

Financial Management Grant

500,000

500,000

Operating reserves

9,500,000

-

Roll over projects

20,781,139

-

MSIG

735,001

-

49,014,811

28,988,379

Notes to the Annual Financial Statements
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15. Employee related costs

	2009	2008
Basic	16,210,793	20,059,877
Bonus	732,623	-
Medical aid	1,303,730	60,402
UIF	157,340	27,455
SDL	202,638	13,425
Leave pay	465,321	-
Cell phone allowance	110,832	-
Standby allowance	139,500	-
Protective clothing	-	7,913
Pension fund	1,206,932	42,380
Travelling allowance	5,534,564	45,679
Housing benefits and allowances	1,263,107	106,390
Provident fund	1,481,963	-
Other	54,354	-
	28,863,697	20,363,521

Remuneration of municipal manager

Total cost to company - T. Nota	765,000	-
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Remuneration of chief finance officer

Total Cost to Company - M. Mloba	606,016	-
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Remuneration of Infrastructure and Planning

Total cost to company - S. Ntonga	601,134	-
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Remuneration of Corporate Services Officer

N. Qaba	380,000	-
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Remuneration of Community Services Officer

Total Cost to Company - F. Ndinisa	380,000	-
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Remuneration of councillors

Total Cost to Company - Councillors	7,384,124	-
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16. Auditors' remuneration

Audit fees	790,929	173,235
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Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

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	2009	2008
17. General expenses		
Accounting fees	2,274,775	569,087
Advertising	301,468	105,359
Approval of infrastructure	-	13,234
Bank charges	137,721	85,595
Books and publications	351,552	98,000
Cleaning	1,754,744	530,655
Community development and training	811,921	224,061
Conferences and seminars	980,441	375,376
Consulting and professional fees	4,314,429	1,080,696
Consumables	32,012	9,487
Entertainment	58,550	298,181
Fuel and oil	449,441	50,999
Insurance	351,088	1,395,551
Legal fees	85,937	352,023
Levies	2,665	-
Marketing	310,921	11,124
Other expenses	11,392,314	1,248,102
Packaging	531,071	20,000
Postage and courier	194,152	90,503
Printing and stationery	844,176	498,175
Productions	233,318	885,049
Promotions	355,708	183,428
Public safety	11,740	35,627
Rental	564,719	572,454
Security	1,179,725	832,460
Staff welfare	51,657	2,300
Sundry expenses	(338,445)	2,070,162
Survey and planning	3,000,809	200,000
Telephone and fax	1,673,921	1,164,254
Training	1,400,521	524,386
Communication strategy	19,244	105,360
	33,332,295	13,631,668

18. Appropriations

Accumulated surplus / (deficit) at the beginning of the year	(10,671,081)	62,562,725
Operating (deficit) / surplus for the period	35,818,871	949,207
Prior year bank reconciliation clearing	11,043,442	(307,500)
Write off of debtors	-	(1,045,612)
Prior year adjustments for audit issues raised in 2007	-	(72,826,682)
Other	-	(3,222)
Transfer of funds to Equity	79,920,753	-
Transfer to the unspent grant account	(63,883,062)	-
	52,228,923	(10,671,084)

Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

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2009

2008

19. Cash generated by operations

Surplus for the year	35,818,871	949,210
Adjustments in respect of:		
Depreciation and amortisation	1,577,357	-
Interest received	(99,819)	(192,883)
Movements in provisions	(758,951)	-
Appropriations for the year	11,043,442	(72,829,903)
Changes in working capital:		
Trade and other receivables	(1,230,726)	19,150,226
Consumer debtors	(1,045,886)	-
Payables	882,183	(4,796,113)
Statutory funds	(1,821,780)	735,172
	44,364,691	(56,984,291)

20. Unspent conditional grants and reserves

Umzimvubu Local Municipality have no contingent liabilities at year end that required disclosure or adjustment to the annual financial statements.

21. Impairment of assets

An assessment was done on the assets of the Municipality. There was no indication that the assets have to be impaired.

22. Grants

Management have identified no contingent liabilities in the current year.

23. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

24. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	790,930	-
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PAYE and UIF

Amount paid - current year	4,352,989	-
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Pension and Medical Aid Deductions

Amount paid - current year	461,070	-
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Umzimvubu Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Detailed Income statement

Figures in Rand

	Note(s)	2009	2008
Revenue			
Government grants	14	49,014,811	28,988,379
Equitable share		43,984,208	50,977,540
Pound fees		284,468	186,256
Rental of facilities and equipment		863,320	118,551
Other income		1,150,584	3,038
Licences and permits		856,771	1,475,849
Fines		79,605	1,220,167
Property rates and refuse		5,909,190	-
Interest received - investment	12	99,819	192,883
Total Revenue		102,242,776	83,162,663
Expenditure			
Employee related costs	15	(28,864,696)	(20,363,521)
Disaster management and plan		(266,290)	(222,150)
Depreciation and amortisation		(1,577,357)	-
SPU Programs		(1,033,203)	(47,082,743)
Repairs and maintenance		(937,396)	(372,060)
Strategic planning and team building		(412,668)	(541,311)
General Expenses	17	(33,332,295)	(13,631,668)
Total Expenditure		(66,423,905)	(82,213,453)
Surplus for the year		35,818,871	949,210
Attributable to:			
Net Asset holders of the controlling entity		35,818,871	949,210

UMZIMVUBU LOCAL MUNICIPALITY
APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2009

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R'000	R'000	R'000	R'000	R'000	R'000
Total long-term loans			-	-	-	-	140,517,675	-
ANNUITY LOAN								
GOVERNMENT LOANS								
Total Government Loans			-	-	-	-		
TOTAL EXTERNAL LOANS							140,517,675	-

UMZIMVUBU LOCAL MUNICIPALITY

APPENDIX 8

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation			Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	
Community Services	264 206 287						
Land and building	24,095,637	848 203	-	-	24,095,636.80	11 065 457	12 130 449
Furniture and Fittings	508,431		-	-	1,356,634.31	4,104,985.92	(5 426 370)
Containers	188,434		-	-	188,433.70	-	188 434
Motor Vehicles	3,642,438		-	-	3,642,437.62	-	3 327 948
Plant and Equipment	371,341	654 598	-	-	1,025,998.93	-	250 756
Computer Equipment	1,578,981		-	-	1,578,980.71	-	1 553 218
Tools	5,995	28 400	-	-	34,394.74	214 561	(214 246)
Pre-Schools	25,688,297		-	-	25,688,297.26	-	25 688 297
Sport Field	3,772,267		-	-	3,772,266.70	-	3 772 267
Fencing and Toilets	3,256,182		-	-	3,256,182.25	1 095 880	2 054 361
Community Halls	13,174,833		-	-	13,174,833.02	6 897 860	5 085 382
Testing Centre	2,353,746		-	-	2,353,746.12	-	2 353 746
Poultry	539,757		-	-	539,757.17	-	539 757
Recreational Park	1,174,173		-	-	1,174,172.87	63 000	1 087 548
Milling	252,330		-	-	252,329.88	-	252 330
Bakery	580,005		-	-	580,005.30	-	580 005
Roads and Infrastructure	180,160,458	24 427 748	-	-	204,588,205.83	134 865 853	34 336 291
Schools	0		-	-	-	10,958,313.78	-
Small Business Unit	1,108,382		-	-	1,108,381.84	-	1 108 382
Cemetery	81,464		-	-	81,464.14	-	81 464
Mayoral Chain	17,719		-	-	17,719.30	-	17 719
Bridges	1,655,417	4 452 491	-	-	6,107,908.43	1 156 506	304 607
Trading Services	1,579,425		-	-	1,579,425.27	-	-
Irrigation Scheme	1,579,425	-	-	-	1,579,425.27	124 367	1 579 425
Work in Progress		19 622 702			19,622,701.81	-	1 411 189
Capital Work in Progress							-
TOTAL	265,785,712	50,034,142	-	-	315 819 854 296 197 152	159 588 469	140 517 675

UMZIMVUBU LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2009

as at 30 June 2009									
	Cost / Revaluation			Accumulated Depreciation					
	Opening Balance R'000	Additions R'000	Under Construction R'000	Disposals R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Disposals R'000	Closing Balance
									R'000
Executive & Council	508,431	848,203	-	-	1,356,634	4,104,986	1,829,816	-	5,934,802
Finance & Admin	-	-	-	-	-	-	-	-	-
Community & Social Services	-	-	-	-	-	-	-	-	-
Road Transport	2,353,746	-	-	-	2,353,746	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	265,785,712	50,034,142	-	-	315,819,854	159,588,469	15,713,710	-	175,302,179
					0				140,517,675

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UM2IMVU8U LOCAL MUNICIPALITY										APPENDIX D	
DETAILED INCOME STATEMENT											
FOR THE YEAR ENDED 30 JUNE 2008											
2008	2008	2008								2009	2009
R	R	R								R	R
Actual	Actual	Actual	Surplus / (deficit)							Surplus /	Budget
Income	Expenditure	Expenditure								(deficit)	surplus /
											(deficit)
82 226 066	57 488 505		24 737 561	RATES AND GENERAL SERVICES						35 818 871	7 943 570
56 567 973	32 880 943		23 687 030	Community services						35 818 871	7 943 570
(192 840)	1 443 981		(1 636 821)	Community services						(4 897 612)	(2 082 324)
368 316	2 154 469		(2 154 469)	Office of the mayor						-	-
-	6 560 981		(6 192 565)	Corporate Services						(9 568 834)	(12 505 777)
2 154 469	2 321 078		(2 321 078)	Council General Expenses						(13 092 413)	(15 284 519)
53 377 942	-		2 154 469	Office of the mayor						-	-
1 110 086	5 166 302		48 211 639	Budget and Treasury						54 813 214	65 132 079
(250 000)	3 759 032		(2 648 945)	Traffic						-	-
-	888 427		(1 138 427)	Refuse Removal						-	-
-	10 586 673		(10 586 673)	Special Programmes unit						(4 585 505)	(5 167 378)
-	-		-	Municipal Manager						(1 209 654)	(1 318 136)
27 812 363	24 607 562		3 204 801	Infrastructure						15 992 434	(12 162 407)
27 812 363	24 607 562		3 204 801	LED						(1 632 760)	(8 667 988)
-	-		-	Economic services						-	-
-	-		-	Planning and engineering						-	-
-	-		-	Trading services						-	-
-	-		-	water						-	-
82 226 066	57 488 505		24 737 561	Appropriation for the year						35 818 871	7 943 570
-	-		-	(Deficit)/Surplus for the year						27 081 139	-
-	-		-	Accumulated surplus/(deficit):						62 900 004	-
-	-		-	Prior Year Adjustment						(55 955 217)	-
-	-		-	beginning of the year						45 284 136	-
-	-		-	Accumulated surplus/(deficit):						52 228 923	-
-	-		-	end of the year						-	-